

TALENT MANAGEMENT AND B2B RELATIONSHIPS

**The Role of Talent Management in Enhancing B2B Relationships in Offshoring Organisations: Evidence From Indian IT Services Sector**

Doren Chadee\*  
Deakin University, Australia  
Email: [doren.chadee@deakin.edu.au](mailto:doren.chadee@deakin.edu.au)

Revti Raman  
Victoria University of Wellington, New Zealand  
Email: [revti.raman@vuw.ac.nz](mailto:revti.raman@vuw.ac.nz)

Banjo Roxas  
Deakin University, Australia  
Email: [banjo.roxas@deakin.edu](mailto:banjo.roxas@deakin.edu)

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\* Corresponding author

## **The Role of Talent Management in Enhancing B2B Relationships in Offshoring Organisations: Evidence From Indian IT Services Sector**

**Abstract:** *This paper argue that for firms which are already global in nature, talent management (TM) serves as the mechanism for leveraging the organisations global mindset (GM) in improving its relationship quality (RQ) with client firms. Using a sample of 68 offshore service providers (OSPs) in the IT sector in India, the paper investigates how to enhance their RQ– through GM and TM. The findings suggest that the GM of top management teams and TM enhance the RQ and that TM significantly mediates the association between the GM and RQ of OSPs. The key implications of the study include the need to develop GM of top managers and TM as essential capabilities for OSPs.*

**Keywords:** **Offshoring, Outsourcing, Information technology services, Offshore service providers, Global mindset, Talent management, Partnership quality, India**

Over the recent decades, the offshoring of advanced services has become an integral part of the value chain of firms (Doh, 2005; Jensen & Petersen, 2012). Firms offshore both less advanced and more advanced services for varying reasons. The offshoring of low advanced services is done mostly for cost savings and more advanced services are offshored in order to gain access to high quality skills and knowledge (Jensen & Pedersen, 2012). In an attempt to benefit from offshore outsourcing, client firms engage actively with offshore service providers (OSPs). OSPs are usually highly globally oriented firms because they have clients across many countries and cultures. OSPs typically service their clients from different locations globally as deemed fit by their clients. For instance, major IT service providers in India such as Infosys, Wipro, TCS and HCL have clients and subsidiaries across the continents and provide services to these globally dispersed clients through both onshore and offshore mechanisms. In this sense, OSPs can be considered as providers of business-to-business services. In this environment, effective client-vendor relationship is critical for success for three main reasons: Firstly, relational capital has been found to be a critical source

of success in B2B businesses. Good client vendor relationships are critical for providing high quality services by leveraging advantages related to relational capital, co-specialization and mutual learning (Kedia & Mukherjee, 2009; Lee, 2001). Secondly, doing business across national boundaries involves additional complexities compared to purely domestic businesses; particularly where institutions, cultures and languages are different. Developing strong relational capital often helps overcome barriers. Third, the provision of highly customised technical services to fit the exact needs of their clients requires the service providers to have a deep understanding of their client's business. The very nature of the complexity involved in 'outside service consultants' coming into an organisation and working on premises for an extended period of time often dealing with sensitive information requires a high level of trust on both sides. Hence good client-vendor relationship helps improve the quality and speed of service delivery.

Moreover, as OSPs operate across national and cultural boundaries it is essential to have a high level of global awareness and sensitivity (Cohen, 2010); otherwise they would not be able to cope efficiently with different political, economic, social and legal systems, nor would they be able to deal competently with different cultures, traditions, norms, and values which influence the way business is conducted in the respective locations. A global perspective from top management teams (TMTs) allows global companies to have a better appreciation of the overall local business environments in which they operate and to have a better understanding of their clients, suppliers and stakeholders in general, all of which are critical in influencing their risk perception (Nielsen & Nielsen, 2011).

Additionally, search for talent has been the key reason for firms to integrate their value chain activities (Beechler & Woodward, 2009; Jensen & Pedersen, 2012; Lewin & Peeters, 2006).

Firms which can sustain a talent pool in the long run are likely to perform better than other firms (Vance & Vaiman, 2008). Talent management has become more during the global economic downturn, when it is critical to identify and retain key talent while planning downsizing (Whelan, 2011). By integrating these three streams of research, namely client relationship management, top management global mindset and talent management this paper intends to take the current research on client-vendor relationship management a step further by investigating the role of global mindset and talent management in enhancing an essential capability of having good relationships with their clients. By doing so, we also add to the understanding of the behaviour of OSPs. Research on offshoring has only recently started to pay attention to the OSPs despite being critical players in the offshoring research landscape (for literature review see Chadee & Raman, 2009).

The rest of the paper is organized as follow. The next section reviews the relevant literature to develop a conceptual model. The following section discusses the research methods and data. The results are then presented and discussed. The last section provides the conclusions, implications, limitations and future research questions.

## **LITERATURE REVIEW AND MODEL DEVELOPMENT**

### **Business-to-Business Relationships**

Business-to-business (B2B) relationships are widely studied in business research. Such relationships allow alliance partners to lower transaction costs or permit realisation of rents through the synergistic combination of assets, knowledge and capabilities (Dyer & Singh, 1998). Recent evidence complements the existing literature that such relationships enhance performance of OSPs (Chadee, Raman, & Michailova, 2011; Lahiri & Kedia, 2009; Lee, 2001). The good quality relationships has been found to increase value of mutual venture by

15% while poor relationships can take away 15% of such value (Enlow & Ertel, 2006). They enhance innovations, client satisfaction and service delivery, and provide synergy in utilisation of mutual resources (Ata & Toker, 2012; Enlow & Ertel, 2006). They also fill in institutional gaps as OSPs are primarily from economies with relatively weaker institutions (Peng, Wang, & Jiang, 2008). They also help mitigating future uncertainties and risks arising out of incompleteness of contracts (Barthelemy, 2003; Williamson, 1989). It is critical for OSPs to develop good quality relationships with their clients as they face complexities of delivering high value end services requiring quick turnarounds and understanding clients and their business domains. However, most of the current research focuses on the impact of B2B relationships with a limited number of studies exploring what influences such relationships in the service sector (Lahiri & Kedia, 2011). The quality of B2B relationships is referred to as relationship quality (RQ) in this paper.

Considering the significance of RQ, it is important to understand how RQ can be enhanced. Various measures of RQ has been suggested in the literature which indicate ‘things to do’ to enhance RQ. Lages, Lancastre, and Lages (2008) came up with a relationship performance scale (B2B-RELPERF) which consists of dimensions such as “relationship policies and practices, relationship commitment, trust in the relationship, mutual cooperation and relationship satisfaction”. The items consisting of RQ are similar to Lee & Kim (1999) who suggested trust, commitment, business understanding and conflict management as essentials of a good relationship. With reference to OSPs, Lahiri and Kedia (2011) suggested the key determinants of RQ are human related assets, organisation related assets, management related capability and recent firm performance. Human related assets include knowledge, skills and abilities of human resources whereas organisation related assets include databases, norms, processes and culture. The management related capability indicates ability to manage the

resources effectively. Essentially, the determinants of RQ lie in human resources – their pool and capabilities. Human resources could be grouped into upper echelons (top managers) and lower echelons (Lower and middle managers). We posit that both the top managers’ global mindset and firms talent management contributes to enhancing their RQ. We further argue that the global mindset enhances talent management and thus RQ. The proposed relationships are discussed below.

### **Top Management Global Mindset**

The upper echelons theory (Hambrick, 2007; Hambrick & Mason, 1984) emphasises the importance of understanding the mental modes of top managers in explaining the choices they make. Accordingly, the strategic choices made by TMTs depend on the personalised interpretation of the situations they face which are influenced by their experiences, values and backgrounds. Thus, the characteristics of TMTs, comprising psychological and observable characteristics, influence their interpretations of the environment around them. Psychological characteristics include their cognitive base and values, whereas observable characteristics include their demographic characteristics such as age, education, functional tracks, tenure, and position, to mention a few. This study proposes that team of top management executives with a high level of global awareness are likely have a better understanding and appreciation of the risks associated with the external environment and is likely to be more successful.

Global mindset (GM), often also referred to in the literature as transnational mentality, multinational mindset or international orientation (Dichtl, Koeglmaier, & Mueller, 1990; Levy, Beechler, Taylor, & Boyacigiller, 2007; Tung & Miller, 1990), is defined as “a highly complex cognitive structure characterised by an openness to and articulation of multiple cultural and strategic realities on both global and local levels, and the cognitive ability to

mediate and integrate across this multiplicity” (Levy et al., 2007, p. 243). For the purposes of this paper, and in line with TMTs’ attention patterns perspective (Levy, 2005) and the upper echelons theory (Hambrick, 2007; Hambrick & Mason, 1984), GM refers to the degree of TMTs’ familiarity with broad global, cultural and economic environments (Chadee et al., 2011).

Cross cultural familiarity enables managers understanding any situation using their multiple cultural lenses to make appropriate decisions in those situations (Nardon & Steers, 2008). As OSPs provide services to their offshore clients from multiple countries and cultures, understanding of other cultures may help them understanding their clients well. For instance an OSP from India servicing the US, European or Japanese clients will need to understand these cultures for appropriate behaviours while dealing with these clients. Cultural differences have been found to influence negatively outsourcing project success (Winkler, Dibbern, & Heinzl, 2008). Similarly, top managers’ familiarity with economic environments of the countries they are dealing with is vital in making appropriate decisions. For example, considering outsourcing backlashes in the US, most of the Indian OSPs are diversifying their client portfolios to include European and Asian clients to their portfolios.

Global cultural and economic competences are the two key dimensions of global leadership (Mendenhall, 2011). Global leaders are essential to any firm operating across borders in today’s complex and dynamic global environment (Maznevski & DiStefano, 2000). Knowledge is one of the key characteristics global leaders must have (Caligiuri, 2006). Top managers’ knowledge of international business and cultural environment is likely to help them in dealing with their clients from multiple countries with highly complex and dynamic political, social, cultural, economic and legal environments boundaries. Top managements

with GM are likely to have good relationships with their clients as they understand their clients and the relevant business environments. Good understanding of the environmental uncertainties might also prompt OSPs to establish good relationships with their clients.

**Hypothesis 1:** The global mindset of top management contributes positively to the client-vendor relationship quality of OSPs.

### **Talent Management**

Given the dynamic competitive environment, global financial circumstances, and global race for talent, talent management (TM) remains a critical agenda item for the organizational decision makers (Beechler & Woodward, 2009; Collings & Mellahi, 2009; Scullion, Collings, & Caligiuri, 2010). The term TM has been used in the literature in different ways: as merely substitutes the label talent management for human resource management; development of talent pools (Lewis & Heckman, 2006: 140); management of talented people (Michaels, Handfield-Jones, & Axelrod, 2001; Smart, 1999); and focussing on 'pivotal positions' rather than 'pivotal people' (Collings & Mellahi, 2009: 304). We define TM as the deliberate and organised efforts by firms to optimally select, develop, deploy and retain competent and committed knowledge capital for key positions with potential to influence the performance of the organisation.

The strategic importance of TM functions in many organizations is evidenced by the greater involvement of top management teams in TM initiatives rather than leaving these to the HR division of the organization. This becomes critically important because of the low employability of Indian graduates varying between 10-25 % (Farrell, Kaka, & Sturze, 2005) and high attrition rates in the industry approaching 50% in some sub-sectors (Kumar & Puranam, 2008) – the industry faces 'scarcity in abundance' paradox. TM, on the other



hand, leads to recruiting the best talent and their high retention (Bhatnagar, 2007; Sharma & Bhatnagar, 2009). Thus, TM is critical for OSPs being people based knowledge intensive industry which heavily depends upon the pool of talented knowledge workers to service offshore clients.

Access to skilled human resources is the key motivation for multinationals to outsource offshore (Apte et al., 1997; Lewin, Massini, & Peeters, 2009; McKinsey, 2001). On the contrary, the service provider destinations face the additional challenges of retaining its best talent in an increasingly global market place, where professionals who are mobile are usually attracted by higher wages, and better work and lifestyle conditions in advanced industrialised countries (Mäkelä, Björkman, & Ehrnrooth, 2010). Thus, having systematic and rigorous systems to sustain a pool of key employees is essential in ensuring sustained competitive advantage (Axelrod, Handfield-Jones, & Michaels, 2002; Huselid, Beatty, & Becker, 2005).

In the environment where the war/race for talent is severe (Lewin et al., 2009; McKinsey, 2001), OSPs which primarily rely on their knowledge workers to compete, are likely to succeed with the effective management of their talent pool (Ghebregiorgis & Karsten, 2007; Guest, 1997; Harris & Ogbonna, 2001; Kaya, 2006). Thus, strategic and deliberate approaches to identification, selection, recruitment, retention and deployment of staff are likely to sustain the talent pool. The literature provides support for the role of strategic talent management in sustaining a talent pipeline and contributing to organisational outcomes by having alignment between talent and business strategies (Gutridge, Komm, & Lawson, 2006; Mellahi & Collings, 2010; Ready & Conger, 2007). As it is the talent pool that is consistently engaged with clients to provide relevant knowledge services, effective human resource pool

is likely to enhance the client-vendor relations. Timely and effective contractual deliveries are likely to generate the trust and have long term relationships with the clients.

**Hypothesis 2:** Talent management contributes positively to the client-vendor relationship quality of OSPs.

### **Mediation Effects**

Mediation exists when “the effects of stimuli on behavior are mediated by various transformation processes internal to the organism” (Baron & Kenny, 1986, p. 1176). We posit that in case of OSPs the effects of GM on RQ is mediated by TM. In other words, global mindset enhances client-vendor relations by strengthening talent management practices. The literature supports the individual impact of GM, TM and RQ in achieving firm performance (Collings & Mellahi, 2009; Guest, 1997; Lahiri & Kedia, 2009; Lee, 2001; Levy et al., 2007). Top managers coordinate and control other executives in the firm’s transnational operations (Bartlett & Ghoshal, 2003) and deal directly with their counterparts of client firms. Moreover, top managers are the umbrella under which rest of the human resources work. Therefore, top managers’ GM is likely to influence the RQ through improved TM practices. Global perspective is essential to human resource practices to avoid corporate failures (Tung & Miller, 1990). This fits to OSPs well as they are people based, knowledge intensive firms servicing clients from different countries, cultures, economic and political environments. Top managers with GM are likely to have their human resource policies, practices and systems to manage their multi-cultural workforce spread across the countries. Thus, top managers’ GM enhances client-vendor partnership relations as they are better able to coordinate and control rest of the human resources in a firm’s transnational operations (Bartlett & Ghoshal, 2003; Tung & Miller, 1990). A mediation effect helps explain ‘why’ a relationship between a

predictor (Global mindset) and criterion (partnership quality) variables exists. In the present case, TM is the mechanism through which GM influences the criterion, RQ.

**Hypothesis 3:** Talent management mediates the relationship between global mindset and the client-vendor relationship quality of OSPs.

All the hypothesized relationships are shown in Figure 1. The figure shows that global mindset is likely to enhance client-vendor relationship quality of OSPs directly and through strengthening their talent management practices. All the variables of interest are perceptual variables and are part of a larger project undertaken to investigate OSP perspectives in offshore outsourcing. In order to isolate the impact of TM and GM, we control for the impact of business experience and size.

*\*\*Figure 1 about here\*\**

## **METHODOLOGY**

### **Sample and Data Collection**

The data used for this study are part of a large-scale research project on the performance of OSPs in India. The sample data consists of 68 useable questionnaires which were collected randomly through an online questionnaire survey. The survey was pre-tested to smooth out any possible ambiguities. The sample consists of a wide range of OSPs with respect to age, ownership, size and nature of services provided. About 60% of respondent OSPs are of the age of 10 years or less, 55% with more than 1000 employees and 78% of them are Indian owned. 40% of OSPs provide software development and application services only and 20% provide BPO services only, rest providing end-to-end all the services being one-stop shops.

We collaborated with Nasscom (industry trade body) to undertake the questionnaire survey. Nasscom's research committee screened our questionnaire survey. The survey was endorsed by Nasscom's vice president and sent to its members with a request to complete the survey by a top management team member i.e. top managers involved in strategic decision making (Carpenter, Geletkanycz, & Sanders, 2004; Nielsen & Nielsen, 2011). Nasscom member firms account for more than 95% of the industry revenue (Nasscom, 2006, 2010). The industry's estimated total revenue in 2011 was USD 88 billion of which two third is from its global clients. The industry employs 2.5 million people directly and another 8.3 million indirectly and contributes to 6.4% of the country's GDP (Nasscom, 2012). Indian IT service sector is regarded as the most attractive destination for such services (Jorek, Gott, & Battat, 2009; Raman & Chadee, 2011).

## **Measurement**

All the variables of interest are composite measures consisting of multiple items derived from the extant literature (Table 1). All the items are measured on five-point Likert-type of scale. The GM measures top managers' familiarity with global economic and cultural environments (Chadee et al., 2011; Levy et al., 2007). The TM measures OSPs' deliberate practices in comparison to the industry standard in strategically managing its talent pool (Hatch & Dyer, 2004; Kor & Leblebici, 2005; Lam & White, 1998; Luoma, 2000; Priyadarshini & Venkatapathy, 2005; Stavrou, Charalambous, & Spiliotis, 2007). The RQ measures OSPs' level of trust, commitment, business understanding and conflict management between the OSPs and their business partners (Lee, 2001). The control variables uses are well accepted in this type of research: Business experience (i.e. number of years of business operation) and firm size (Lahiri & Kedia, 2011).

### **Common Method Variance Analysis**

The common method variance (CMV) threat exists when perceptual data on both the dependent and independent variables are collected from the same person at a point in time. The study used Herman's single factor test and partial correlation technique using marker variable to assess the threat of CMV (Podsakoff, macKenzie, & Lee, 2003). Herman's single factor test indicates lack of such threat if no single factor explains majority of the variance. All items measuring all the constructs were factor analysed using maximum likelihood technique with Varimax rotation. Results showed that no single factor emerged and no factor accounted for more than fifty-percent of the variance. The correlation matrix developed to examine the zero-order correlation coefficients of the GM, TM, RQ and the pre-defined marker variable showed that the marker variable had correlation coefficients close to zero relative to the other variables. When the marker was controlled for in the correlation analysis, there were no significant changes in the relationships at 95% level of confidence amongst the variables. Based on these two tests, it can be safely assumed that CMV is not a threat to the study findings.

## **RESULTS**

This study tests hypotheses H1 to H3 using the partial-least squares (PLS) approach to structural equation modelling (SEM). PLS-based SEM is suitable when the sample size and the numbers of indicators and latent variables are not large enough for covariance-based modelling. The current study has met the guidelines in using PLS recommended by Marcoulides and Saunders (2006) in terms of PLS estimation after taking into account the main objective of the study (i.e., estimating relationships rather than predictive modelling), the sample size of 68 firms, 15 indicators, 3 latent variables, factor loadings (minimum of

.70), and factor inter-correlations (minimum of .42) in order to develop and test a PLS-based structural model with acceptable statistical power.

Before undertaking the path analysis, a confirmatory factor analysis (CFA) was performed on all of the constructs in order to examine the homogeneity and consistency of items comprising each construct and construct validity. Details of the CFA (Table 1) show that all of the items measuring each of the three constructs loaded highly on the pre-determined factors.

*\*\*Table 1 about here\*\**

The measurement model fits the data well, as shown by the significant loadings of items in their corresponding constructs at  $p < .05$ , which indicates the convergent validity of the constructs. The cross-loadings of items in other constructs are much lower than the pre-determined loadings. The values of Cronbach's  $\alpha$ , composite reliability coefficients and Joreskog's rho were all above the minimum threshold of .70, which indicates item homogeneity, consistency, scale reliability and construct validity (Bagozzi, Youjae, & Phillips, 1991; Fornell & Larcker, 1981; Kock, 2012) . The full collinearity variance inflation factors are lower than the maximum tolerable value of 5 (Hair, Black, Babin, & Anderson, 2010) which suggest that multicollinearity is not an issue in the measurement model.

Table 2 shows the means, standard deviation and correlations of the five variables used in the succeeding analysis of the structural model-data fit. The bold figures are the square root values of the AVEs of each construct, which are higher than the correlation coefficient values of each construct relative to other constructs, which indicates the constructs' discriminant validity (Bagozzi et al., 1991; Fornell & Larcker, 1981). Overall, the results of the test of the

measurement model-data fit suggested that the constructs used in this study have satisfactory levels of construct validity, internal consistency (i.e., reliability), and convergent as well as discriminant validity.

*\*\*Table 2 about here\*\**

After undertaking CFA, the structural models are developed and tested in order to test hypotheses H<sub>1</sub>-H<sub>3</sub>. Two nested structural models were developed and tested following the procedures suggested by Kelloway (1998) and (James & Brett, 1984) on mediation analysis. Testing of these models is necessary to determine whether TM mediates the effects of GM on RQ and, if it does, whether there is partial or full mediation (Anderson & Gerbing, 1988; Kelloway, 1998).

The various path coefficients are summarised in Figure 3. The first model (Model A) shows a fully-mediated model whereby TM fully mediates the effects of GM on RQ. The second model (Model B) is a partially-mediated model whereby TM partially mediates the relationships between GM and RQ. This model suggests that there are other direct effects of GM on RQ which cannot be accounted for by TM.

We compared the two models – fully mediated and partially mediated - to determine which model has the better fit with the data. To undertake this comparison we compared various goodness-of-fit (GoF) measures (Kock, 2012) and GoF global index (Amato, Esposito-Vinzi, & Tenenhaus, 2004). Model B has higher average r-squared (ARS) value which shows the predictive power of the exogenous variables to explain the variations in the endogenous variables. Higher average path coefficients (APC) indicating strength and significance of relationships among variables is Higher in Model A. Model B also has better average

variance inflation factors (AVIF) indicating lower level of multi-collinearity and thus better validity of the model.

The GoF global indices of the models in this study suggest large effect sizes, although Model B shows higher GoF index, which indicates that it has the best model-data fit (although Model A is not far behind). Hence, following Preacher and Hayes (2008) , we tested whether the indirect effects of the mediated path in Model B is significant. The results show that suggest that direct effects (i.e., GM  $\rightarrow$  RQ), the indirect (i.e., GM  $\rightarrow$  TM  $\rightarrow$  RQ) and total effects (i.e.,  $\sum$  direct and indirect effects) are significant. The indirect effect has an effect size of .35 (Cohen, 1992) which suggests that the indirect effects are substantially relevant in explaining the partial mediating role of TM in the GM-RQ linkages. Based on the foregoing results, Model B fits the data better than Model A.

The results suggest that TM partially and strongly mediates the relationships between GM and RQ (H<sub>3</sub>). In the partially-mediated model (B), all variables had variances (i.e.,  $v$ ) that were statistically different from zero, which indicates that each variable was highly distinguishable (i.e., distinctive) from the others. GM is also shown to have a positive and statistically-significant effect on RQ, thus supporting H<sub>1</sub>. In Model B, GM was statistically-significant in explaining 30% of the variations (i.e.,  $r^2$ ) in the firms' level of TM. On the other hand, TM along with GM, experience and firm age, explained 47% of the variations in the firms' RQ thereby supporting H<sub>2</sub>. The Stone-Geisser  $Q^2$  measures how well the model and its parameter estimates reproduce the observed values (Geisser, 1975; Stone, 1974) (Geisser 1975; Stone 1974). A  $Q^2$  value greater than zero suggests that the model has acceptable predictive validity. In Model B, the  $Q^2$  is .49 for RQ and .31 for TM, which further supports the hypotheses of the study. Both control variables, firm size and business experience (BE), have insignificant effects on RQ.



## DISCUSSION

The main objective of this study was to examine the role of GM and TM on RQ of OSPs which is knowledge intensive people based firms operating in global dynamic environments. The results confirm that both GM and TM have positive significant effect on RQ and that TM mediates the relationship between GM and RQ. The significant positive impact of GM and TM emphasize the significance of people in the IT outsourcing industry. Multinationals from the developed economies are offshoring their business activities for the global race for talent (Lewin et al., 2009). On the other hand, OSPs possesses the required human resources and leverage them to service their offshore clients. This aligns with the prevalent rich literature that links the strategic management of human resources to achieving organizational outcomes (Ghebreorgis & Karsten, 2007; Guest, 1997; Harris & Ogbonna, 2001; Katou & Budhwar, 2007; Vance & Vaiman, 2008). The positive impact of GM on organizational outcomes such as strategic postures (Harveston, Kedia, & Davis, 2000; Levy, 2005; Sambharya, 1996) and international performance (Dichtl et al., 1990; Nummela, Saarenketo, & Puumalainen, 2004) exists in the literature. The findings of impact of GM and TM reinforce the significance of human resources for the IT services sector in India which has grown rapidly over a short period of time.

This study contributes to the GM literature by providing evidence from knowledge intensive firms that GM enhances RQ by enhancing its TM practices. This study has explicitly examined the interplay between GM and TM in influencing RQ. Thus the study explains the mechanism (TM) through which GM enhances RQ. This adds to the call for analysing mechanisms through which GM influences organizational outcomes as there is mixed evidence to the GM-Outcome direct relationships (Carpenter et al., 2004; Certo, Richard, Catherine, & Dan, 2006; Levy et al., 2007). The findings are in line with the Upper echelons

theory which states that top management characteristics influence firm performance through their decisions which are based on their view of the world (Hambrick, 2007).

OSP destinations are known for their availability of human capital (Graf & Mudambi, 2005), scarcity in abundance paradox (Farrell & Grant, 2005), and high attrition rates (Kumar & Puranam, 2008). The scarcity in abundance paradox highlights abundance human resources at OSP destinations with low employability ratios. This poses challenges to OSPs in sustaining a pool of skilled employees. Being knowledge intensive industry, people are likely to take away lot of tacit knowledge when they move on to other firms. Effective talent management is likely to help as it is found to results in recruiting and retaining the talent pool (Bhatnagar, 2007; Sharma & Bhatnagar, 2009). Sustaining quality relationships with clients are another challenge OSP face. The reason is OSPs deal with clients from countries and cultures across the globe with varying needs. Being in services, losing a client might damage reputation and thus client referrals. TMTs need to continuously sense global economic environment and stay familiar with cultures of their client countries. Thus, the top managers need to be globally oriented and they need to sustain TM practices above the industry standard to succeed. The findings of this study endorse this relationship. Top managers' GM enhances client-vendor relationships directly and through enhancing TM practices. It is well established in the literature that quality client-vendor relationships enhances firm performance. Such relationships are in particular valuable in providing high value end services (Kedia & Lahiri, 2007) in an industry where future uncertainties are huge which contracts can never incorporate (Williamson, 1989) and institutions are relatively weaker than their client destinations (Peng, Sunny Li, Pinkham, & Hao, 2009).

## CONCLUSIONS AND IMPLICATIONS

The study finds evidence for all the three hypotheses. The findings suggest that the top management global mindset and talent management enhances the client-vendor relationship quality and that talent management significantly mediates the association between the global mindset and relationship quality of OSPs. There are four main implications of the findings. First, the findings highlight the critical role of TM for enhancing client-vendor relationships. The finding of the positive relationship between TM and RQ implies managers need to focus on strengthening their TM relative to their competitors to sustain a competent human resource pool. OSPs with programs and policies on training, development and deployment of human resources and effective employee welfare programs perform better than others. This reinforces the critical significance of human resources for this industry in particular, and thus need to invest in sustaining a pool of skilled human resources. Secondly, OSPs need to strengthen GM of their top managers for improving their relationships with vendors. The critical need for global mindset has been raised back in 1990s by Tung and Millers' (1990). Globally oriented top managers are better able to assess global risks and sense global business environmental changes (Nielsen & Nielsen, 2011) and thus enhance OSPs' TM practices which lead to enhanced RQ. Since OSPs operate globally, it can be explained that top managers with GM are better able to compete and grow. Thus, programs and opportunities need to be provided to top managers so that they can enhance their global economic and cultural familiarity. Third, the finding of mediation effects further asserts the need for top managers with a global mindset. The mediation finding explains that top managers with GM have enabled their firms to have TM practices above the industry standard which lead to improved RQ. Thus TM is the mechanism through which GM contributes to RQ. Last but not the least, the findings provide insights to other OSPs in IT services sector in other Asian countries such as China, the Philippines, Malaysia and

Indonesia. The experience of Indian IT services sector firms could be of value to OSPs from other countries as India has established her as a preferred destination for offshoring of knowledge intensive services.

However, the findings need to be interpreted carefully and may not be generalized because of certain limitation the study faces: relatively small sample size, potential threat of common method variance and data from single country. Future research should ideally draw from the experience of OSPs from multiple countries and base on a larger sample using both objective and subjective measures for the findings to be generalized across countries. Moreover, the study could be replicated to other offshore outsourcing destinations for generalization of the findings.

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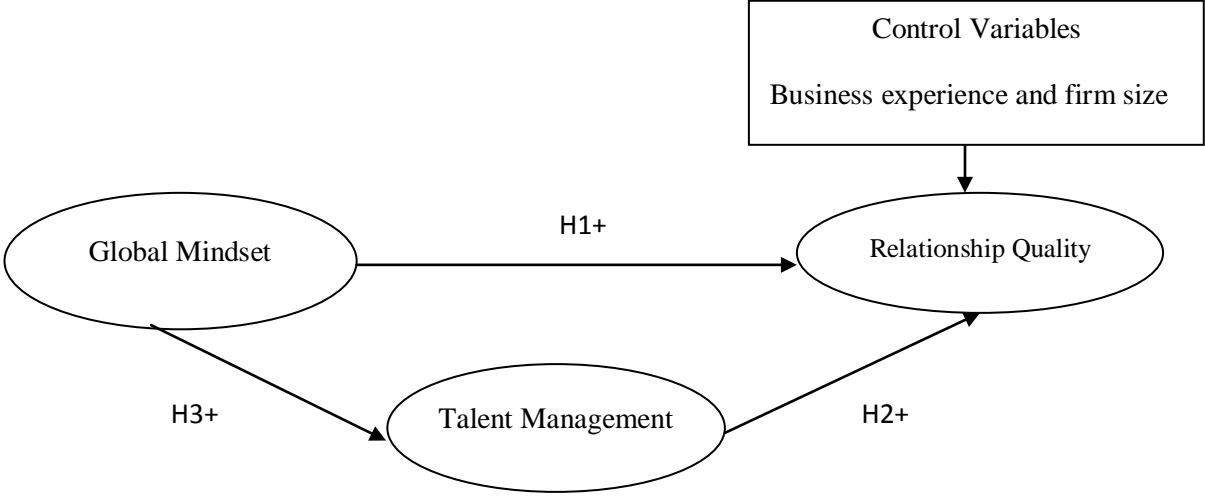
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**Figure 1: The Conceptual Model: Global Mindset, Talent Management and Relationship Quality**



**Table 1: The Measurement Model: Constructs and standardised factor loadings**

Constructs	Standardised factor loadings
<b>Global Mindset</b>	
(ave = .63; Full Collin. VIF = 1.710)	
International trade fairs / conferences	.70
Foreign customs and traditions	.88
Foreign cultures	.71
Global competition in the industry	.79
International trade practices	.86
Globalisation issues	.81
<b>Talent Management</b>	
(ave = .71; Full Collin. VIF =1.789)	
taxation laws and policies	.77
effective implementation of government decisions	.82
economic policies adapt to changes in the economy	.87
laws and regulations conducive for business	.88
<b>Relationship Quality</b>	
(ave =.70; Full Collin. VIF = 1.97)	
Make mutually beneficially decisions	.83
Execute promises & agreements very well	.87
Understand each other's businesses	.86
Dispute resolution processes	.80

*Legend: AVE= average variance extracted;  $\alpha$  = Cronbach's alpha; CRC = composite reliability coefficients;  $\rho$  = Joreskog's rho; full Collin. VIF =full collinearity variance inflation factor)*

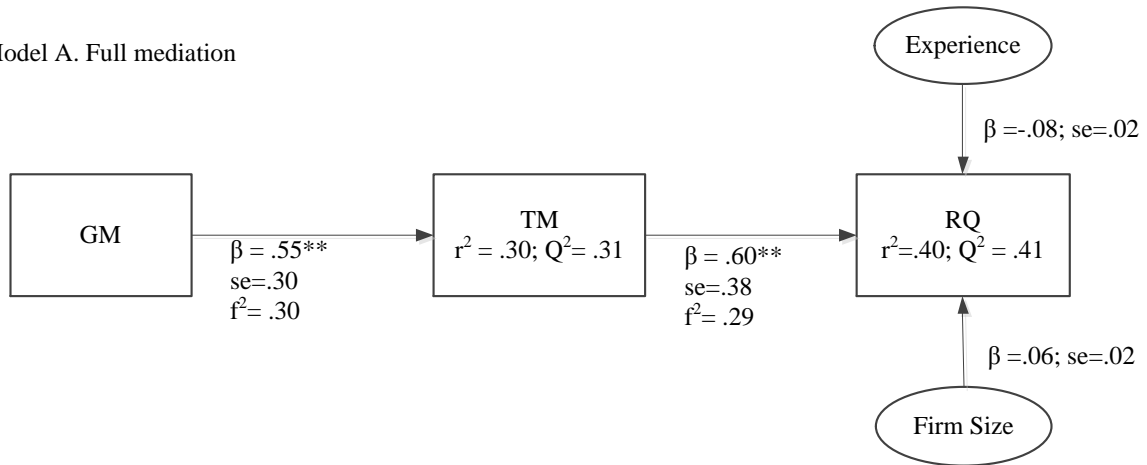
**Table 2: Pearson Cross correlation coefficients (n=68)**

Variables	mean	SD	GM	TM	RQ	Exp	Fsize
GM	4.14	.64	<b>.79</b>				
TM	3.68	.79	.53**	<b>.84</b>			
RQ	4.34	.56	.60**	.62**	<b>.84</b>		
Experience	12.43	9.67	.15	.19	.04	n/a	
Firm size	4860.89	11196.18	.27*	.28*	.17	.60**	n/a

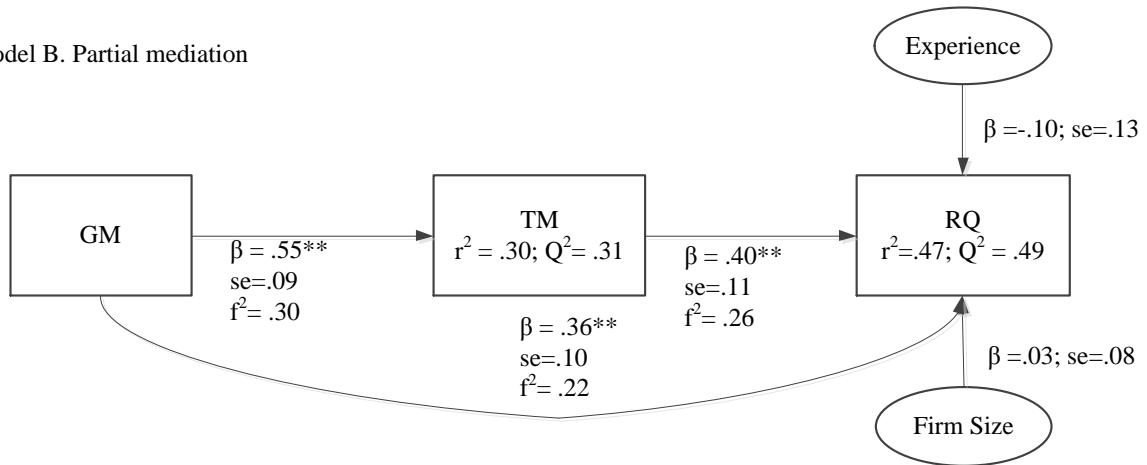
*\*\*significant at  $p < .01$ ; \*significant at  $p < .05$ ; n/a not applicable*

**Figure 2: The Structural Models**

Model A. Full mediation



Model B. Partial mediation



**Goodness of Fit Indicators:**

	<i>Model A</i>	<i>Model B</i>
<i>Average Path Coefficients (APC), p values</i>	<i>= .322**</i>	<i>.290**</i>
<i>Average R-squared (ARS)</i>	<i>= .350**</i>	<i>.386**</i>
<i>Average Variance Inflation Factor (AVIF), good if &lt;5</i>	<i>= 1.68</i>	<i>1.349</i>
<i>Amato et al's (2004) Absolute Global Goodness of Fit</i>	<i>= .73</i>	<i>.75</i>

**Legend:**

- $\beta$  = standardised path (beta) coefficient
- se = standard error
- $Q^2$  = Stone-Geisser Q-squared coefficient
- $f^2$  = Cohen's f-squared = effect size
- \*\*significant at  $p < .01$
- \*significant at  $p < .05$